

M&I Only  
 R. O. CVP-Wide Draft 4/19-2004  
 Shasta County Water Agency 3/01-2004  
 Shasta County Water Agency 7/22-2003  
 Shasta County Water Agency 7/18-2003  
 Shasta County Water Agency 6/16-2003  
 Shasta/Trinity Division Draft 6/16-2003  
 CVP-Wide Draft 5/23-2003  
 Contract No.  
 14-06-200-3367A-LTR1

UNITED STATES  
 DEPARTMENT OF THE INTERIOR  
 BUREAU OF RECLAMATION  
 Central Valley Project, California

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES  
AND  
SHASTA COUNTY WATER AGENCY  
PROVIDING FOR PROJECT WATER SERVICE  
FROM THE SACRAMENTO RIVER, SHASTA, AND TRINITY RIVER DIVISIONS

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Exhibit A – Map of Contractor's Service Area

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7 AND  
8 SHASTA COUNTY WATER AGENCY  
9 PROVIDING FOR PROJECT WATER SERVICE  
10 FROM THE SACRAMENTO RIVER, SHASTA, AND TRINITY RIVER DIVISIONS

11 THIS CONTRACT, made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, in  
12 pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or  
13 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),  
14 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,  
15 July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263),  
16 October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992  
17 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between  
18 THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, and  
19 SHASTA COUNTY WATER AGENCY, hereinafter referred to as the Agency or Contractor, a  
20 political subdivision of the State of California, duly organized, existing, and acting pursuant to  
21 the laws thereof;

22 WITNESSETH, That:

23 EXPLANATORY RECITALS

24 [1<sup>st</sup>] WHEREAS, the United States has constructed and is operating the Central  
25 Valley Project (Project), California, for diversion, storage, carriage, distribution and beneficial  
26 use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation,  
27 protection and restoration, generation and distribution of electric energy, salinity control,  
28 navigation and other beneficial uses, of waters of the Sacramento River, the American River, the  
29 Trinity River, and the San Joaquin River and their tributaries; and

30 [2<sup>nd</sup>] WHEREAS, the United States constructed Shasta Dam and Reservoir, Keswick  
31 Dam and Reservoir, and Whiskeytown Dam and Reservoir, hereinafter collectively referred to as  
32 the Project facilities, which will be used in part for the furnishing of water to the Agency  
33 pursuant to the terms of this Contract; and

34 [3<sup>rd</sup>] WHEREAS, the rights to Project Water were acquired by the United States  
35 pursuant to California law for operation of the Project; and

36 [4<sup>th</sup>] WHEREAS, the Agency and the United States entered into Contract  
37 No. 14-06-200-3367A, as amended, which established terms for the delivery to the Agency of up  
38 to 5,000 acre-feet per year of Project Water from the Project facilities from June 30, 1967,  
39 through December 31, 2004, hereinafter referred to as the “Existing Contract”; and

40 [4.1] WHEREAS, the County of Shasta and the United States entered into Contract  
41 No. 14-06-200-1307A, hereinafter referred to as the Keswick Contract, which established terms  
42 for the delivery to the Agency of up to 500 acre-feet per year of Project Water from the Trinity  
43 River Division from September 16, 1964, through June 31, 2004, to the County Service Area  
44 No. 25 - Keswick; and

45 [4.2] WHEREAS, the Agency and the County of Shasta desire to merge the  
46 Existing Contract and the Keswick Contract into a single contract identified as Contract  
47 No. 14-06-200-3367A-LTR1 and the United States is willing to consent to such merger; and

48 [5<sup>th</sup>] WHEREAS, the United States and the Agency have, pursuant to subsection  
49 3404(c)(3) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into a  
50 binding agreement identified as Binding Agreement No. 14-06-200-3367-BA, which sets out the  
51 terms pursuant to which the Contractor agreed to renew the Existing Contract before its  
52 expiration date after completion of a programmatic environmental impact statement and other  
53 appropriate environmental documentation and negotiation of a renewal contract, and which also  
54 sets out the consequences of a subsequent decision not to renew; and

55 [5.1] WHEREAS, the Agency and Centerville Community Services District entered  
56 into a partial assignment on April 11, 2001, identified as Contract No. 14-06-200-3367X, to  
57 permanently assign to Centerville Community Services District 2,900 acre-feet of the Project  
58 Water made available to the Contractor pursuant to the Existing Contract; and

59 [5.2] WHEREAS, the Agency and Mountain Gate Community Services District entered  
60 into a partial assignment on \_\_\_\_\_, identified as Contract No. 14-06-200-3367\_\_, to  
61 permanently assign to Mountain Gate Community Services District 1,000 acre-feet of the Project  
62 Water made available to the Contractor pursuant to the Existing Contract; and

63 [5.3] WHEREAS, the Agency and Bella Vista Water District entered into a partial  
64 assignment on \_\_\_\_\_, identified as Contract No. 14-06-200-3367\_\_, to permanently  
65 assign to Bella Vista Water District 578 acre-feet of the Project Water made available to the  
66 Contractor pursuant to the Existing Contract; and

67 [6<sup>th</sup>] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the  
68 Existing Contract following completion of appropriate environmental documentation, including a  
69 programmatic environmental impact statement (PEIS) pursuant to the National Environmental  
70 Policy Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the  
71 CVPIA and the potential renewal of all existing contracts for Project Water; and

72 [7<sup>th</sup>] WHEREAS, the United States has completed the PEIS and all other appropriate  
73 environmental review necessary to provide for long-term renewal of the Existing Contract; and

74 [8<sup>th</sup>] WHEREAS, the Agency has requested the long-term renewal of the Existing  
75 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws  
76 of the State of California, for water service from the Project; and

77 [9<sup>th</sup>] WHEREAS, the United States has determined that the Agency has fulfilled all of  
78 its obligations under the Existing Contract; and

79 [10<sup>th</sup>] WHEREAS, the Agency has demonstrated to the satisfaction of the Contracting  
80 Officer that the Agency has utilized the Project Water supplies available to it for reasonable and  
81 beneficial use and, based upon a needs analysis cooperatively prepared by the Contracting  
82 Officer and the Agency, has demonstrated projected future demand for water use that exceeds  
83 the Contract Total to be made available to it pursuant to this Contract; and

84 [11<sup>th</sup>] WHEREAS, water obtained from the Project has been relied upon by urban and  
85 agricultural areas within California for more than 50 years, and is considered by the Agency as  
86 an essential portion of its water supply; and

87 [12<sup>th</sup>] WHEREAS, the economies of regions within the Project, including the Agency's,  
88 depend upon the continued availability of water, including water service from the Project; and

89 [12.1] WHEREAS, the Agency has made and will continue to make substantial capital  
90 investments in diversion and treatment facilities, and requires a consistent, predictable quality of  
91 raw water in order to meet Safe Drinking Water Act requirements for its municipal customers,  
92 and to provide a consistent and predictable quality of water for its industrial customers; and

93 [13<sup>th</sup>] WHEREAS, the Secretary intends through coordination, cooperation, and  
94 partnerships to pursue measures to improve water supply, water quality, and reliability of the  
95 Project for all Project purposes; and

96 [13.1] WHEREAS, the Agency is located in the region of the Redding Groundwater  
97 Basin, and it is the desire of both the United States and the Agency to facilitate the cooperative  
98 efforts of local water service agencies to develop the Redding Groundwater Basin for  
99 conjunctive management and use with Project Water supplies, to maximize the reasonable  
100 beneficial use of water for the water service agencies and their customers in the region; and

101 [14<sup>th</sup>] WHEREAS, the mutual goals of the United States and the Agency include: to  
102 provide for reliable Project Water supplies; to control costs of those supplies; to achieve  
103 repayment of the Project as required by law; to guard reasonably against Project Water  
104 shortages; to achieve a reasonable balance among competing demands for use of Project Water;  
105 and to comply with all applicable environmental statutes, all consistent with the legal obligations  
106 of the United States relative to the Project; and

107 [15<sup>th</sup>] WHEREAS, the parties intend by this Contract to develop a more cooperative  
108 relationship in order to achieve their mutual goals; and

109 [16<sup>th</sup>] WHEREAS, the United States and the Agency are willing to enter into this  
110 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

111 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein  
112 contained, it is hereby mutually agreed by the parties hereto as follows:

113 DEFINITIONS

114 1. When used herein unless otherwise distinctly expressed, or manifestly  
115 incompatible with the intent of the parties as expressed in this Contract, the term:

116 (a) "Calendar Year" shall mean the period January 1 through December 31,  
117 both dates inclusive;

118 (b) "Charges" shall mean the payments required by Federal Reclamation law  
119 in addition to the Rates and Tiered Pricing Component specified in this Contract as determined  
120 annually by the Contracting Officer pursuant to this Contract;

121 (c) "Condition of Shortage" shall mean a condition respecting the Project  
122 during any Year such that the Contracting Officer is unable to deliver sufficient water to meet the  
123 Contract Total;

124 (d) "Contracting Officer" shall mean the Secretary of the Interior's duly  
125 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law  
126 or regulation;

127 (e) "Contract Total" shall mean the maximum amount of water to which the  
128 Agency is entitled under subdivision (a) of Article 3 of this Contract;

129 (f) "Agency's Service Area" shall mean the area to which the Agency is  
130 permitted to provide Project Water under this Contract as described in Exhibit "A" attached  
131 hereto, which may be modified from time to time in accordance with Article 35 of this Contract  
132 without amendment of this Contract;

133 (g) “CVPIA” shall mean the Central Valley Project Improvement Act, Title  
134 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

135 (h) Omitted;

136 (i) Omitted;

137 (j) “Full Cost Rate” shall mean an annual rate as determined by the

138 Contracting Officer that shall amortize the expenditures for construction properly allocable to the  
139 Project irrigation or M&I functions, as appropriate, of facilities in service including all O&M  
140 deficits funded, less payments, over such periods as may be required under Federal Reclamation  
141 law, or applicable contract provisions. Interest will accrue on both the construction expenditures  
142 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the  
143 date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated  
144 in accordance with subsections 202(3)(B) and (3)(C) of the Reclamation Reform Act of  
145 October 12, 1982 (96 Stat. 1263), as amended, hereinafter referred to as RRA. The Full Cost  
146 Rate includes actual operation, maintenance, and replacement costs consistent with Section 426.2  
147 of the Rules and Regulations for the RRA;

148 (k) Omitted;

149 (l) Omitted;

150 (m) Omitted;

151 (n) Omitted;

152 (o) “Municipal and Industrial (M&I) Water” shall mean Project Water and  
153 Replaced Water made available to the Contractor for purposes other than the commercial  
154 production of agricultural crops or livestock;

155 (p) “M&I Full Cost Water Rate” shall mean the Full Cost Rate applicable to  
156 the delivery of M&I Water;

157 (q) “Operation and Maintenance” or “O&M” shall mean normal and  
158 reasonable care, control, operation, repair, replacement (other than capital replacement), and  
159 maintenance of Project facilities;

160 (r) Omitted;

161 (s) “Project” shall mean the Central Valley Project owned by the United  
162 States and managed by the Department of the Interior, Bureau of Reclamation;

163 (t) “Project Contractors” shall mean all parties who have water service  
164 contracts for Project Water from the Project with the United States pursuant to Federal  
165 Reclamation law;

166 (u) “Project Water” shall mean all water that is developed, diverted, stored, or  
167 delivered by the Secretary in accordance with the statutes authorizing the Project and in  
168 accordance with the terms and conditions of water rights acquired pursuant to California law;

169 (v) “Rates” shall mean the payments determined annually by the Contracting  
170 Officer in accordance with the then-current applicable water ratesetting policies for the Project,  
171 as described in subdivision (a) of Article 7 of this Contract;

172 (w) “Recent Historic Average” shall mean the most recent five-year average of  
173 the final forecast of Water Made Available to the Agency pursuant to this Contract or its  
174 preceding contract(s);

175 (x) “Secretary” shall mean the Secretary of the Interior, a duly appointed  
176 successor, or an authorized representative acting pursuant to any authority of the Secretary and  
177 through any agency of the Department of the Interior;

178 (y) “Tiered Pricing Component” shall be the incremental amount to be paid  
179 for each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;

180 (z) “Water Delivered” or “Delivered Water” shall mean Project Water or  
181 Replaced Water diverted for use by the Agency at the point(s) of delivery approved by the  
182 Contracting Officer;

183 (aa) “Water Made Available” shall mean the estimated amount of Project  
184 Water and Replaced Water that can be delivered to the Agency for the upcoming Year as  
185 declared by the Contracting Officer, pursuant to subdivision (a) of Article 4 of this Contract;

186 (bb) “Water Scheduled” shall mean Project Water and Replaced Water made  
187 available to the Agency for which times and quantities for delivery have been established by the  
188 Agency and Contracting Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

189 (cc) “Year” shall mean the period from and including March 1 of each  
190 Calendar Year through the last day of February of the following Calendar Year; and

191 (dd) “Project Reservoirs” shall mean Shasta Reservoir, Keswick Reservoir, and  
192 Whiskeytown Reservoir; and

193 (ee) “Replaced Water” shall mean water diverted from the Sacramento River  
194 or a tributary stream located in Shasta County at a time when the Agency or its Subcontractors  
195 would not otherwise be entitled to make such diversion; and

196 (ff) “Subcontractor or Subcontractors” shall mean an individual, group of  
197 individuals, or legal entities who contract with the Agency to divert and use water made  
198 available to the Agency under this Contract.

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TERM OF CONTRACT

2. (a) This Contract shall be effective March 1, 20\_\_\_, through February 28, 20\_\_\_, and supercedes the Existing Contract. In the event the Agency wishes to renew this Contract beyond February 28, 20\_\_\_, the Agency shall submit a request for renewal in writing to the Contracting Officer no later than two years prior to the date this Contract expires.

(b) Omitted.

(c) This Contract shall be renewed for successive periods of up to 40 years each, which periods shall be consistent with then-existing Reclamation-wide policy, under terms and conditions mutually agreeable to the parties and consistent with Federal and State law. The Agency shall be afforded the opportunity to comment to the Contracting Officer on the proposed adoption and application of any revised policy applicable to the delivery of M&I Water that would limit the term of any subsequent renewal contract with the Agency for the furnishing of M&I Water to less than 40 years.

(d) The Contracting Officer shall make a determination ten years after the date of execution of this Contract, and every five years thereafter during the term of this Contract, of whether a conversion to a contract under subsection (c)(1) of Section 9 of the Reclamation Project Act of 1939 can be accomplished. The Contracting Officer anticipates that during the term of this Contract, all authorized Project construction expected to occur will have occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all costs that are properly assignable to the Contractor, and agrees further that, at any time after such allocation is made, and subject to satisfaction of the condition set out in this subdivision, this Contract shall, at the request of the Contractor, be converted to a contract under said subsection 9(c)(1), of the Reclamation Project Act of 1939, subject to applicable Federal law and under

222 stated terms and conditions mutually agreeable to the Contractor and the Contracting Officer. A  
 223 condition for such conversion to occur shall be a determination by the Contracting Officer that,  
 224 account being taken of the amount credited to return by the Contractor as provided for under  
 225 Federal Reclamation law, the remaining amount of construction costs assignable for ultimate  
 226 return by the Contractor can probably be repaid to the United States within the term of a contract  
 227 under said subsection 9(c)(1). If the remaining amount of costs that are properly assignable to  
 228 the Contractor cannot be determined during the term of this Contract, the Contracting Officer  
 229 shall notify the Contractor, and provide the reason(s) why such a determination could not be  
 230 made. Further, the Contracting Officer shall make such a determination as soon thereafter as  
 231 possible so as to permit, upon request of the Contractor and satisfaction of the condition set out  
 232 above, conversion to a contract under said subsection 9(c)(1). In the event such determination of  
 233 costs has not been made at a time which allows conversion of this Contract during the term of  
 234 this Contract or the Contractor has not requested conversion of this Contract within such term,  
 235 the parties shall incorporate in any subsequent renewal contract as described in subdivision (b) of  
 236 this Article a provision that carries forth in substantially identical terms the provisions of this  
 237 subdivision.

238 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE AGENCY

239 3. (a) During each Year, consistent with all applicable State water rights,  
 240 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of  
 241 this Contract, the Contracting Officer shall make available for delivery to the Agency 972 acre-  
 242 feet of Project Water for M&I purposes: Provided, That the United States shall not be  
 243 responsible for the maintenance of water levels in Project Reservoirs in order to permit the  
 244 Agency and its Subcontractors to withdraw water therefrom; Provided, further, That in no event  
 245 shall the United States at any time be obligated to furnish water at the point or points of delivery

246 on the Spring Creek Power Conduit at a rate in excess of 1,250 gallons per minute. The facilities  
247 of the Contractor shall include devices satisfactory to the Contracting Officer which will limit the  
248 rate of flow to the Contractor to 1,250 gallons per minute. The United States shall not be  
249 responsible for maintaining or limiting the heads or pressures at which the water is delivered on  
250 the Spring Creek Power Conduit. Water Delivered to the Agency in accordance with this  
251 subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of this  
252 Contract; Provided, That Project Water made available from Project Reservoirs for direct  
253 diversion by the Agency and its Subcontractors shall be used for M&I purposes only; Provided,  
254 further, That Replaced Water may be taken by the Agency and its Subcontractors for M&I  
255 purposes from the existing flow in the Sacramento River or a tributary stream located in Shasta  
256 County pursuant to the terms hereof. If the Agency or its Subcontractors desire to divert water  
257 during a period when not otherwise entitled to do so under a water right permit or license, the  
258 Agency or its Subcontractors may do so without objection by the United States contingent upon  
259 the Agency's making appropriate payment to the United States in the manner set forth in Article  
260 7 hereof. To the extent necessary to satisfy third parties below Project Reservoirs having a valid  
261 claim, the United States will replace from such Project Reservoirs all water taken by the Agency  
262 and its Subcontractors to the extent of water available for such replacement, as conclusively  
263 determined by the Contracting Officer. If the United States determines that there is no water  
264 available for such replacement during any period of time, it shall notify the Agency in advance  
265 of the period of such unavailability. For the purposes of this Contract, Replaced Water shall be  
266 considered to be all such water taken each Year during the period from June 15 through  
267 September 30, and for the purpose of payment such water shall be deemed to have been  
268 furnished from the Project. The Agency shall determine the quantities of Replaced Water in  
269 accordance with the procedures established in Article 5 of this Contract.

270 (1) The United States assumes no responsibility and makes no  
271 representation with respect to the availability of water in the Sacramento River or a tributary

272 stream located in Shasta County. Replaced Water may be taken if and when available; Provided,  
273 That the Agency and its Subcontractors shall hold the United States harmless if the diversion of  
274 Replaced Water impairs an existing water right which has a point of diversion upstream from  
275 Project storage facilities.

276 (b) Because the capacity of the Project to deliver Project Water has been  
277 constrained in recent years and may be constrained in the future due to many factors including  
278 hydrologic conditions and implementation of Federal and State laws, the likelihood of the  
279 Agency actually receiving the amount of Project Water set out in subdivision (a) of this Article  
280 in any given Year is uncertain. The Contracting Officer's modeling referenced in the PEIS  
281 projected that the Contract Total set forth in this Contract will not be available to the Agency in  
282 many years. During the most recent five years, the Recent Historic Average of water made  
283 available to the Agency was 894 acre-feet. Nothing in subdivision (b) of this Article shall affect  
284 the rights and obligations of the parties under any provision of this Contract.

285 (c) The Agency shall utilize the Project Water in accordance with all  
286 applicable legal requirements.

287 (d) The Agency shall make reasonable and beneficial use of all water  
288 furnished pursuant to this Contract. Ground-water recharge programs (direct, indirect, or in  
289 lieu), round-water banking programs, surface water storage programs, and other similar  
290 programs utilizing Project Water or other water furnished pursuant to this Contract conducted  
291 within the Agency's Service Area which are consistent with applicable State law and result in  
292 use consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge  
293 program(s) is (are) described in the Agency's water conservation plan submitted pursuant to  
294 Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates  
295 sufficient lawful uses exist in the Agency's Service Area so that using a long-term average, the  
296 quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance  
297 with Federal Reclamation law. Ground-water recharge programs, ground-water banking

298 programs, surface water storage programs, and other similar programs utilizing Project Water or  
299 other water furnished pursuant to this Contract conducted outside the Agency's Service Area  
300 may be permitted upon written approval of the Contracting Officer, which approval will be based  
301 upon environmental documentation, Project Water rights, and Project operational concerns. The  
302 Contracting Officer will address such concerns in regulations, policies, or guidelines.

303 (e) The Agency shall comply with requirements applicable to the Agency in  
304 biological opinion(s) prepared as a result of a consultation regarding the execution of this  
305 Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA), as  
306 amended, that are within the Agency's legal authority to implement. The Existing Contract,  
307 which evidences in excess of 36 years of diversions for M&I purposes of the quantities of water  
308 provided in subdivision (a) of Article 3 of this Contract, will be considered in developing an  
309 appropriate baseline for biological assessment(s) prepared pursuant to the ESA, and any other  
310 needed environmental review. Nothing herein shall be construed to prevent the Agency from  
311 challenging or seeking judicial relief in a court of competent jurisdiction with respect to any  
312 biological opinion or other environmental documentation referred to in this Article.

313 (f) As soon as possible following each declaration of Water Made Available  
314 under Article 4 of this Contract, the Contracting Officer will make a determination whether  
315 Project Water, or other water available to the Project, can be made available to the Agency in  
316 addition to the Contract Total under Article 3 of this Contract during the Year without adversely  
317 impacting other Project Contractors. At the request of the Agency, the Contracting Officer will  
318 consult with the Agency prior to making such a determination. If the Contracting Officer  
319 determines that Project Water, or other water available to the Project, can be made available to  
320 the Agency, the Contracting Officer will announce the availability of such water and shall so  
321 notify the Agency as soon as practical. The Contracting Officer will thereafter meet with the  
322 Agency and other Project Contractors capable of taking such water to determine the most  
323 equitable and efficient allocation of such water. If the Agency requests the delivery of any

324 quantity of such water, the Contracting Officer shall make such water available to the Agency in  
325 accordance with applicable statutes, regulations, guidelines, and policies.

326 (g) The Agency may request permission to reschedule for use during the  
327 subsequent Year some or all of the Water Made Available to the Agency during the current Year,  
328 referred to as “carryover.” The Agency may request permission to use during the current Year a  
329 quantity of Project Water which may be made available by the United States to the Agency  
330 during the subsequent Year, referred to as “preuse.” The Contracting Officer’s written approval  
331 may permit such uses in accordance with applicable statutes, regulations, guidelines, and  
332 policies.

333 (h) The Agency’s right pursuant to Federal Reclamation law and applicable  
334 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract  
335 during the term thereof and any subsequent renewal contracts, as described in Article 2 of this  
336 Contract, during the terms thereof shall not be disturbed so long as the Agency shall fulfill all of  
337 its obligations under this Contract and any renewals thereof. Nothing in the preceding sentence  
338 shall affect the Contracting Officer’s ability to impose shortages under Article 11 or subdivision  
339 (b) of Article 12 of this Contract or applicable provisions of any subsequent renewal contracts.

340 (i) Project Water furnished to the Agency pursuant to this Contract may be  
341 delivered for other than M&I purposes upon written approval by the Contracting Officer in  
342 accordance with the terms and conditions of such approval.

343 (j) The Contracting Officer shall make reasonable efforts to protect the water  
344 rights necessary for the Project and to provide the water available under this Contract. The  
345 Contracting Officer shall not object to participation by the Agency, in the capacity and to the  
346 extent permitted by law, in administrative proceedings related to the Project Water rights;  
347 Provided, That the Contracting Officer retains the right to object to the substance of the  
348 Agency’s position in such a proceeding; Provided further, That in such proceedings the

349 Contracting Officer shall recognize the Agency has a legal right under the terms of this Contract  
350 to use Project Water.

351 TIME FOR DELIVERY OF WATER

352 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer  
353 shall announce the Contracting Officer's expected declaration of the Water Made Available.

354 Such declaration will be expressed in terms of both Water Made Available and the Recent  
355 Historic Average and will be updated monthly, and more frequently if necessary, based on then-  
356 current operational and hydrologic conditions and a new declaration with changes, if any, to the  
357 Water Made Available will be made. The Contracting Officer shall provide forecasts of Project  
358 operations and the basis of the estimate, with relevant supporting information, upon the written  
359 request of the Agency. Concurrently with the declaration of the Water Made Available, the  
360 Contracting Officer shall provide the Agency with the updated Recent Historic Average.

361 (b) On or before each March 1 and at such other times as necessary, the  
362 Agency shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting  
363 Officer, showing the monthly quantities of Project Water and/or Replaced Water to be delivered  
364 by the United States to the Agency pursuant to this Contract for the Year commencing on such  
365 March 1. The Contracting Officer shall use all reasonable means to deliver Project Water and/or  
366 Replaced Water according to the approved schedule for the Year commencing on such March 1.

367 (c) The Agency shall not schedule Project Water and/or Replaced Water in  
368 excess of the quantity of Project Water and/or Replaced Water the Agency intends to put to  
369 reasonable and beneficial use within the Agency's Service Area or to sell, transfer, or exchange  
370 pursuant to Article 9 of this Contract during any Year.

371 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this  
372 Contract, the United States shall deliver Project Water and/or Replaced Water to the Agency in  
373 accordance with the initial schedule submitted by the Agency pursuant to subdivision (b) of this  
374 Article, or any written revision(s), satisfactory to the Contracting Officer, thereto submitted

375 within a reasonable time prior to the date(s) on which the requested change(s) is/are to be  
376 implemented.

377 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

378 5. (a) Project Water and/or Replaced Water scheduled pursuant to subdivision  
379 (b) of Article 4 of this Contract shall be delivered to the Agency at the downstream end of the  
380 metering equipment installed by the United States approximately at Station 170+62.0 of the  
381 Spring Creek Power Conduit and any additional point or points of delivery either on Project  
382 facilities or another location or locations mutually agreed to in writing by the Contracting Officer  
383 and the Contractor.

384 (b) Omitted.

385 (c) Omitted.

386 (d) All Water Delivered to the Agency pursuant to this Contract shall be  
387 measured and recorded with equipment furnished, installed, operated, and maintained by the  
388 Agency at the point or points of delivery established pursuant to subdivision (a) of this Article.  
389 Upon the request of either party to this Contract, the Contracting Officer shall investigate the  
390 accuracy of such measurements and shall take any necessary steps to adjust any errors appearing  
391 therein. For any period of time when accurate measurements have not been made, the  
392 Contracting Officer shall consult with the Agency prior to making a final determination of the  
393 quantity delivered for that period of time.

394 (e) (1) The construction, operation, and maintenance of all pumps,  
395 pipelines, storage tanks, distribution lines, and other facilities, hereinafter referred to as the  
396 facilities, required to take, measure, convey, and distribute water and the expense thereof shall be  
397 the responsibility of the Agency. The facilities may be installed, operated, and maintained on or  
398 across property of the United States in the area of the turnout(s) described in subdivision (a) of  
399 this Article subject to such restrictions and regulations as to type, location, method of  
400 installation, and operation and maintenance as may be promulgated by the Contracting Officer.

401                   (e)     (2)     The Contracting Officer shall not be responsible for the control,  
402 carriage, handling, use, disposal, or distribution of Water Delivered to the Agency pursuant to  
403 this Contract beyond the delivery points specified in subdivision (a) of this Article. The Agency  
404 shall indemnify the United States, its officers, employees, agents, and assigns on account of  
405 damage or claim of damage of any nature whatsoever for which there is legal responsibility,  
406 including property damage, personal injury, or death arising out of or connected with the control,  
407 carriage, handling, use, disposal, or distribution of such Water Delivered beyond such delivery  
408 points, except for any damage or claim arising out of (i) acts or omissions of the Contracting  
409 Officer or any of its officers, employees, agents, or assigns with the intent of creating the  
410 situation resulting in any damage or claim, (ii) willful misconduct of the Contracting Officer or  
411 any of its officers, employees, agents, or assigns, (iii) negligence of the Contracting Officer or  
412 any of its officers, employees, agents, or assigns, or (iv) damage or claims resulting from a  
413 malfunction of facilities owned and/or operated by the United States.

414                   MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

415                   6.     (a)     The Agency has established a measuring program satisfactory to the  
416 Contracting Officer. The Contractor shall ensure that all surface water delivered for M&I  
417 purposes is measured at each M&I service connection. The water measuring devices or water  
418 measuring methods of comparable effectiveness must be acceptable to the Contracting Officer.  
419 The Agency shall be responsible for installing, operating, and maintaining and repairing all such  
420 measuring devices and implementing all such water measuring methods at no cost to the United  
421 States. The Agency shall use the information obtained from such water measuring devices or  
422 water measuring methods to ensure its proper management of the water, to bill water users for  
423 water delivered by the Agency; and, if applicable, to record water delivered for M&I purposes by  
424 customer class as defined in the Agency's water conservation plan provided for in Article 26 of  
425 this Contract. Nothing herein contained, however, shall preclude the Agency from establishing  
426 and collecting any charges, assessments, or other revenues authorized by California law. The

427 Agency shall include a summary of all its annual surface water deliveries in the annual report  
428 described in subdivision (c) of Article 26.

429 (b) To the extent the information has not otherwise been provided, upon  
430 execution of this Contract, the Agency shall provide to the Contracting Officer a written report  
431 describing the measurement devices or water measuring methods being used or to be used to  
432 implement subdivision (a) of this Article and identifying the M&I service connections or  
433 alternative measurement programs approved by the Contracting Officer, at which such  
434 measurement devices or water measuring methods are being used, and, if applicable, identifying  
435 the locations at which such devices and/or methods are not yet being used including a time  
436 schedule for implementation at such locations. The Contracting Officer shall advise the Agency  
437 in writing within 60 days as to the adequacy and necessary modifications, if any, of the  
438 measuring devices or water measuring methods identified in the Agency's report and if the  
439 Contracting Officer does not respond in such time, they shall be deemed adequate. If the  
440 Contracting Officer notifies the Agency that the measuring devices or methods are inadequate,  
441 the parties shall within 60 days following the Contracting Officer's response, negotiate in good  
442 faith the earliest practicable date by which the Agency shall modify said measuring devices  
443 and/or measuring methods as required by the Contracting Officer to ensure compliance with  
444 subdivision (a) of this Article.

445 (c) All new surface water delivery systems installed within the Agency's  
446 Service Area after the effective date of this Contract shall also comply with the measurement  
447 provisions described in subdivision (a) of this Article.

448 (d) The Agency shall inform the Contracting Officer and the State of  
449 California in writing by April 30 of each Year of the monthly volume of surface water delivered  
450 within the Agency's Service Area during the previous Year.

451 (e) The Agency shall inform the Contracting Officer on or before the 20<sup>th</sup>  
452 calendar day of each month of the quantity of M&I Water taken during the preceding month.

453 RATES AND METHOD OF PAYMENT FOR WATER

454 7. (a) The Agency shall pay the United States as provided in this Article for all  
455 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance  
456 with (i) the Secretary's then-existing ratesetting policy for M&I Water. Such ratesetting policy  
457 shall be amended, modified, or superceded only through a public notice and comment procedure;  
458 (ii) applicable Federal Reclamation law and associated rules and regulations, or policies; and (iii)  
459 other applicable provisions of this Contract. Payments shall be made by cash transaction,  
460 electronic funds transfer, or any other mechanism as may be agreed to in writing by the Agency  
461 and the Contracting Officer. The Rates, Charges, and Tiered Pricing Component applicable to  
462 the Agency upon execution of this Contract are set forth in Exhibit "B," as may be revised  
463 annually.

464 (b) The Contracting Officer shall notify the Agency of the Rates, Charges,  
465 and Tiered Pricing Component as follows:

466 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall  
467 provide the Agency an estimate of the Charges for Project Water that will be applied to the  
468 period October 1, of the current Calendar Year, through September 30, of the following Calendar  
469 Year, and the basis for such estimate. The Agency shall be allowed not less than two months to  
470 review and comment on such estimates. On or before September 15 of each Calendar Year, the  
471 Contracting Officer shall notify the Agency in writing of the Charges to be in effect during the  
472 period October 1 of the current Calendar Year, through September 30, of the following Calendar  
473 Year, and such notification shall revise Exhibit "B."

474 (2) Prior to October 1 of each Calendar Year, the Contracting Officer  
475 shall make available to the Agency an estimate of the Rates and Tiered Pricing Component for  
476 Project Water for the following Year and the computations and cost allocations upon which those  
477 Rates are based. The Agency shall be allowed not less than two months to review and comment  
478 on such computations and cost allocations. By December 31 of each Calendar Year, the

479 Contracting Officer shall provide the Agency with the final Rates and Tiered Pricing Component  
480 to be in effect for the upcoming Year, and such notification shall revise Exhibit "B."

481 (c) At the time the Agency submits the initial schedule for the delivery of  
482 Project Water and Replaced Water for each Year pursuant to subdivision (b) of Article 4 of this  
483 Contract, the Agency shall make an advance payment to the United States equal to the total  
484 amount payable pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for  
485 the Project Water and Replaced Water scheduled to be delivered pursuant to this Contract during  
486 the first two calendar months of the Year. Before the end of the first month and before the end  
487 of each calendar month thereafter, the Agency shall make an advance payment to the United  
488 States, at the Rate(s) set under subdivision (a) of this Article, for the Water Scheduled to be  
489 delivered pursuant to this Contract during the second month immediately following.

490 Adjustments between advance payments for Water Scheduled and payments at Rates due for  
491 Water Delivered shall be made before the end of the following month; Provided, That any  
492 revised schedule submitted by the Agency pursuant to Article 4 of this Contract which increases  
493 the amount of Water Delivered pursuant to this Contract during any month shall be accompanied  
494 with appropriate advance payment, at the Rates then in effect, to assure that Project Water or  
495 Replaced Water is not delivered to the Agency in advance of such payment. In any month in  
496 which the quantity of Water Delivered to the Agency pursuant to this Contract equals the  
497 quantity of Water Scheduled and paid for by the Agency, no additional Project Water or  
498 Replaced Water shall be delivered to the Agency unless and until an advance payment at the  
499 Rates then in effect for such additional Project Water or Replaced Water is made. Final  
500 adjustment between the advance payments for the Water Scheduled and payments for the  
501 quantities of Water Delivered during each Year pursuant to this Contract shall be made as soon  
502 as practicable, but no later than April 30th of the following Year, or 60 days after the delivery of  
503 Project Water carried over under subdivision (g) of Article 3 of this Contract if such water is not  
504 delivered by the last day of February.

505           (d)     The Agency shall also make a payment in addition to the Rate(s) in  
506 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the  
507 appropriate Tiered Pricing Component then in effect, before the end of the month following the  
508 month of delivery; Provided, That the Agency may be granted an exception from the Tiered  
509 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be  
510 consistent with the quantities of M&I Water Delivered as shown in the water delivery report for  
511 the subject month prepared by the Contracting Officer. The water delivery report shall be  
512 deemed a bill for the payment of Charges and the applicable Tiered Pricing Component for  
513 Water Delivered. Adjustment for overpayment or underpayment of Charges shall be made  
514 through the adjustment of payments due to the United States for Charges for the next month.  
515 Any amount to be paid for past due payment of Charges and the Tiered Pricing Component shall  
516 be computed pursuant to Article 20 of this Contract.

517           (e)     The Agency shall pay for any Water Delivered under subdivision (a), (f),  
518 or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to  
519 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting  
520 policies; Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this  
521 Contract shall be no more than the otherwise applicable Rate for M&I Water under subdivision  
522 (a) of this Article.

523           (f)     Payments to be made by the Agency to the United States under this  
524 Contract may be paid from any revenues available to the Agency.

525           (g)     All revenues received by the United States from the Contractor relating to  
526 the delivery of Project Water or the delivery of non-Project water through Project facilities shall  
527 be allocated and applied in accordance with Federal Reclamation law and the associated rules or  
528 regulations, and the then-current Project ratesetting policy for M&I Water.

529           (h)     The Contracting Officer shall keep its accounts pertaining to the  
530 administration of the financial terms and conditions of its long-term contracts, in accordance

531 with applicable Federal standards, so as to reflect the application of Project costs and revenues.  
532 The Contracting Officer shall, each Year upon request of the Agency, provide to the Agency a  
533 detailed accounting of all Project and Agency expense allocations, the disposition of all Project  
534 and Agency revenues, and a summary of all water delivery information. The Contracting Officer  
535 and the Agency shall enter into good faith negotiations to resolve any discrepancies or disputes  
536 relating to accountings, reports, or information.

537 (i) The parties acknowledge and agree that the efficient administration of this  
538 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,  
539 policies, and procedures used for establishing Rates, Charges, and the Tiered Pricing  
540 Component, and/or for making and allocating payments, other than those set forth in this Article  
541 may be in the mutual best interest of the parties, it is expressly agreed that the parties may enter  
542 into agreements to modify the mechanisms, policies, and procedures for any of those purposes  
543 while this Contract is in effect without amending this Contract.

544 (j) (1) Beginning at such time as deliveries of Project Water and Replaced  
545 Water in a Year exceed 80 percent of the Contract Total, then before the end of the month  
546 following the month of delivery the Agency shall make an additional payment to the United  
547 States equal to the applicable Tiered Pricing Component. The Tiered Pricing Component for the  
548 amount of Water Delivered in excess of 80 percent of the Contract Total, but less than or equal  
549 to 90 percent of the Contract Total, shall equal one-half of the difference between the Rate  
550 established under subdivision (a) of this Article and the M&I Full Cost Water Rate. The Tiered  
551 Pricing Component for the amount of Water Delivered which exceeds 90 percent of the Contract  
552 Total shall equal the difference between (i) the Rate established under subdivision (a) of this  
553 Article and (ii) the M&I Full Cost Water Rate.

554 (2) Omitted

555 (3) For purposes of determining the applicability of the Tiered Pricing  
556 Component pursuant to this Article, Water Delivered shall include Project Water that the

557 Agency transfers to others but shall not include Project Water transferred and delivered to the  
558 Agency nor shall it include the additional water provided to the Agency under the provisions of  
559 subdivision (f) of Article 3 of this Contract.

560 (k) For the term of this Contract, Rates under the respective ratesetting  
561 policies will be established to recover only reimbursable O&M (including any deficits) and  
562 capital costs of the Project, as those terms are used in the then-current Project ratesetting  
563 policies, and interest, where appropriate, except in instances where a minimum Rate is applicable  
564 in accordance with the relevant Project ratesetting policy. Changes of significance in practices  
565 which implement the Contracting Officer's ratesetting policies will not be implemented until the  
566 Contracting Officer has provided the Agency an opportunity to discuss the nature, need, and  
567 impact of the proposed change.

568 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the  
569 CVPIA, the Rates for Project Water transferred by the Agency shall be the Agency's Rates  
570 adjusted upward or downward to reflect the changed costs, if any, incurred by the Contracting  
571 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in  
572 accordance with the then applicable Project ratesetting policy. If the Agency is receiving lower  
573 Rates and Charges because of inability to pay and is transferring Project Water to another entity  
574 whose Rates and Charges are not adjusted due to inability to pay, the Rates and Charges for  
575 transferred Project Water shall be the Agency's Rates and Charges and will not be adjusted to  
576 reflect the Agency's inability to pay.

577 (m) Pursuant to the Act of October 27, 1986 (100 Stat. 3050), the Contracting  
578 Officer is authorized to adjust determinations of ability to pay every five years.

579 (n) With respect to the Rates for M&I Water, the Contractor asserts that it is  
580 not legally obligated to pay any Project deficits claimed by the United States to have accrued as  
581 of the date of this Contract or deficit-related interest charges thereon. By entering into this  
582 Contract, the Contractor does not waive any legal rights or remedies that it may have with

583 respect to such disputed issues. Notwithstanding the execution of this Contract, and payments  
584 made hereunder, the Contractor may challenge in the appropriate administrative or judicial  
585 forums: (1) the existence, computation, or imposition of any deficit charges accruing during the  
586 term of the Existing Contract and any preceding interim renewal contracts, if applicable; (2)  
587 interest accruing on any such deficits; (3) the inclusion of any such deficit charges or interest in  
588 the Rates; (4) the application by the United States of payments made by the Contractor under its  
589 Existing Contract and any preceding interim renewal contract, if applicable; and (5) the  
590 application of such payments in the Rates. The Contracting Officer agrees that the Contractor  
591 shall be entitled to the benefit of any administrative or judicial ruling in favor of any Project  
592 M&I contractor on any of these issues, and credit for payments heretofore made, Provided, That  
593 the basis for such ruling is applicable to the Contractor.

594 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

595 8. The Agency and the Contracting Officer concur that, as of the effective date of  
596 this Contract, the Agency has no non-interest bearing O&M deficits and shall have no further  
597 liability therefor.

598 SALES, TRANSFERS, OR EXCHANGES OF WATER

599 9. (a) The right to receive Project Water provided for in this Contract may be  
600 sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of  
601 California if such sale, transfer, or exchange is authorized by applicable Federal and State laws,  
602 and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project  
603 Water under this Contract may take place without the prior written approval of the Contracting  
604 Officer, except as provided for in subdivision (b) of this Article, and no such sales, transfers, or  
605 exchanges shall be approved absent all appropriate environmental documentation, including but  
606 not limited to documents prepared pursuant to NEPA and ESA. Such environmental  
607 documentation should include, as appropriate, an analysis of ground-water impacts and

608 economic and social effects, including environmental justice, of the proposed water transfers on  
609 both the transferor and transferee.

610 (b) In order to facilitate efficient water management by means of water  
611 transfers of the type historically carried out among Project Contractors located within the same  
612 geographical area and to allow the Agency to participate in an accelerated water transfer program  
613 during the term of this Contract, the Contracting Officer shall prepare, as appropriate, all  
614 necessary environmental documentation including, but not limited to, documents prepared  
615 pursuant to NEPA and ESA analyzing annual transfers within such geographical areas, and the  
616 Contracting Officer shall determine whether such transfers comply with applicable law.  
617 Following the completion of the environmental documentation, such transfers addressed in such  
618 documentation shall be conducted with advance notice to the Contracting Officer, but shall not  
619 require prior written approval by the Contracting Officer. Such environmental documentation  
620 and the Contracting Officer's compliance determination shall be reviewed every five years and  
621 updated, as necessary, prior to the expiration of the then-existing five-year period. All  
622 subsequent environmental documentation shall include an alternative to evaluate not less than the  
623 quantity of Project Water historically transferred within the same geographical area.

624 (c) For a water transfer to qualify under subdivision (b) of this Article, such  
625 water transfer must: (i) be for irrigation purposes for lands irrigated within the previous three  
626 years, for M&I use, ground-water recharge, water banking, similar ground-water activities,  
627 surface water storage, or fish and wildlife resources; not lead to land conversion; and be  
628 delivered to established cropland, wildlife refuges, ground-water basins or M&I use; (ii) occur  
629 within a single Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water  
630 through existing facilities with no new construction or modifications to facilities and be between  
631 existing Project Contractors and/or the Agency and the United States, Department of the Interior;  
632 and (v) comply with all applicable Federal, State, and local or tribal laws and requirements  
633 imposed for protection of the environment and Indian Trust Assets, as defined under Federal law.

634 (d) For the purpose of determining whether Section 3405(a)(1)(M) of the  
635 CVPIA applies to the Agency as a transferor or transferee of Project Water, the Contracting  
636 Officer acknowledges that the Agency is within a county, watershed, or other area of origin, as  
637 those terms are utilized under California law, of water that constitutes the natural flow of the  
638 Sacramento River and its tributaries above the confluence of the American and Sacramento  
639 Rivers.

640 APPLICATION OF PAYMENTS AND ADJUSTMENTS

641 10. (a) The amount of any overpayment by the Agency of the Agency's O&M,  
642 capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities  
643 of the Agency arising out of this Contract then due and payable. Overpayments of more than  
644 \$1,000 shall be refunded at the Agency's request. In lieu of a refund, any amount of such  
645 overpayment, at the option of the Agency, may be credited against amounts to become due to the  
646 United States by the Agency. With respect to overpayment, such refund or adjustment shall  
647 constitute the sole remedy of the Agency or anyone having or claiming to have the right to the  
648 use of any of the Project Water supply provided for herein. All credits and refunds of  
649 overpayments shall be made within 30 days of the Contracting Officer obtaining direction as to  
650 how to credit or refund such overpayment in response to the notice to the Agency that it has  
651 finalized the accounts for the Year in which the overpayment was made.

652 (b) All advances for miscellaneous costs incurred for work requested by the  
653 Agency pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs when  
654 the work has been completed. If the advances exceed the actual costs incurred, the difference  
655 will be refunded to the Agency. If the actual costs exceed the Agency's advances, the Agency  
656 will be billed for the additional costs pursuant to Article 25.

657 TEMPORARY REDUCTIONS--RETURN FLOWS

658 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the  
659 requirements of Federal law; and (ii) the obligations of the United States under existing  
660 contracts, or renewals thereof, providing for water deliveries from the Project, the Contracting  
661 Officer shall make all reasonable efforts to optimize Project Water deliveries to the Agency as  
662 provided in this Contract.

663 (b) The Contracting Officer may temporarily discontinue or reduce the  
664 quantity of Water Delivered to the Agency as herein provided for the purposes of investigation,  
665 inspection, maintenance, repair, or replacement of any of the Project facilities or any part thereof  
666 necessary for the delivery of Project Water to the Agency, but so far as feasible the Contracting  
667 Officer will give the Agency due notice in advance of such temporary discontinuance or  
668 reduction, except in case of emergency, in which case no notice need be given; Provided, That  
669 the United States shall use its best efforts to avoid any discontinuance or reduction in such  
670 service. Upon resumption of service after such reduction or discontinuance, and if requested by  
671 the Agency, the United States will, if possible, deliver the quantity of Project Water which would  
672 have been delivered hereunder in the absence of such discontinuance or reduction.

673 (c) The United States reserves the right to all seepage and return flow water  
674 derived from Water Delivered to the Agency hereunder which escapes or is discharged beyond  
675 the Agency's Service Area; Provided, That this shall not be construed as claiming for the United  
676 States any right to seepage or return flow being put to reasonable and beneficial use pursuant to  
677 this Contract within the Agency's Service Area by the Agency or those claiming by, through, or  
678 under the Agency.

679 CONSTRAINTS ON THE AVAILABILITY OF WATER

680 12. (a) In its operation of the Project, the Contracting Officer will use all  
681 reasonable means to guard against a Condition of Shortage in the quantity of water to be made  
682 available to the Agency pursuant to this Contract. In the event the Contracting Officer  
683 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the  
684 Agency of said determination as soon as practicable.

685 (b) If there is a Condition of Shortage because of errors in physical operations  
686 of the Project, drought, other physical causes beyond the control of the Contracting Officer or  
687 actions taken by the Contracting Officer to meet legal obligations then, except as provided in  
688 subdivision (a) of Article 18 of this Contract, no liability shall accrue against the United States or  
689 any of its officers, agents, or employees for any damage, direct or indirect, arising therefrom.

690 (c) Omitted.

691 (d) Project Water furnished under this Contract will be allocated in  
692 accordance with the then-existing Project M&I Water Shortage Policy. Such policy shall be  
693 amended, modified, or superceded only through a public notice and comment procedure.

694 (e) By entering into this Contract, the Contractor does not waive any legal  
695 rights or remedies it may have to file or participate in any administrative or judicial proceeding  
696 contesting (i) the sufficiency of the manner in which any Project M&I Water Shortage Policy  
697 adopted after the effective date of this Contract was promulgated; (ii) the substance of such a  
698 policy; or (iii) the applicability of such a policy. By agreeing to the foregoing, the Contracting  
699 Officer does not waive any legal defenses or remedies that it may then have to assert in such a  
700 proceeding.

701 UNAVOIDABLE GROUNDWATER PERCOLATION

702 13. Omitted.

703 RULES AND REGULATIONS

704 14. The parties agree that the delivery of Project Water or use of Federal facilities  
705 pursuant to this Contract is subject to Federal Reclamation law, as amended and supplemented,  
706 and the rules and regulations promulgated by the Secretary of the Interior under Federal  
707 Reclamation law.

708 WATER AND AIR POLLUTION CONTROL

709 15. The Agency, in carrying out this Contract, shall comply with all applicable water  
710 and air pollution laws and regulations of the United States and the State of California, and shall  
711 obtain all required permits or licenses from the appropriate Federal, State, or local authorities.

712 QUALITY OF WATER

713 16. (a) Project facilities used to deliver Project Water to the Agency pursuant to  
714 this Contract shall be operated and maintained to enable the United States to deliver Project  
715 Water to the Agency in accordance with the water quality standards specified in subsection 2(b)  
716 of the Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October 27,  
717 1986 (100 Stat. 3050) or other existing Federal laws. The United States is under no obligation to  
718 construct or furnish water treatment facilities to maintain or to improve the quality of Water  
719 Delivered to the Agency pursuant to this Contract. The United States does not warrant the  
720 quality of Water Delivered to the Agency pursuant to this Contract.

721 (b) The O&M of Project facilities shall be performed in such manner as is  
722 practicable to maintain the quality of raw water made available through such facilities at the  
723 highest level reasonably attainable as determined by the Contracting Officer. The Contractor  
724 shall be responsible for compliance with all State and Federal water quality standards applicable  
725 to surface and subsurface agricultural drainage discharges generated through the use of Federal

726 or Contractor facilities or Project Water provided by the Contractor within the Contractor's  
727 Service Area.

728 WATER ACQUIRED BY THE CONTRACTOR  
729 OTHER THAN FROM THE UNITED STATES

730 17. (a) Omitted.

731 (b) Water or water rights now owned or hereafter acquired by the Agency,  
732 other than from the United States, may be stored, conveyed, and/or diverted through Project  
733 facilities, subject to the completion of appropriate environmental documentation, with the  
734 approval of the Contracting Officer and the execution of any contract determined by the  
735 Contracting Officer to be necessary, consistent with the following provisions:

736 (1) The Agency may introduce non-Project water into Project facilities  
737 and deliver said water to lands within the Agency's Service Area, including Ineligible Lands,  
738 subject to payment to the United States of an appropriate rate as determined by the applicable  
739 Project ratesetting policy, the RRA, and the Project use power policy, if such Project use power  
740 policy is applicable, each as amended, modified, or superceded from time to time.

741 (2) Delivery of such non-Project water in and through Project facilities  
742 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project  
743 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water  
744 available to other Project Contractors; (iii) interfere with the delivery of contractual water  
745 entitlements to any other Project Contractors; or (iv) interfere with the physical maintenance of  
746 the Project facilities.

747 (3) The United States shall not be responsible for control, care, or  
748 distribution of the non-Project water before it is introduced into or after it is delivered from the  
749 Project facilities. The Agency hereby releases and agrees to defend and indemnify the United  
750 States and its respective officers, agents, and employees, from any claim for damage to persons  
751 or property, direct or indirect, resulting from the acts of the Agency, its officers', employees',

752 agents' or assigns', act(s) in (i) extracting or diverting non-Project water from any source, or (ii)  
753 diverting such non-Project water into Project facilities.

754 (4) Diversion of such non-Project water into Project facilities shall be  
755 consistent with all applicable laws, and if involving groundwater, consistent with any applicable  
756 ground-water management plan for the area from which it was extracted.

757 (5) After Project purposes are met, as determined by the Contracting  
758 Officer, the United States and the Agency shall share priority to utilize the remaining capacity of  
759 the facilities declared to be available by the Contracting Officer for conveyance and  
760 transportation of non-Project water prior to any such remaining capacity being made available to  
761 non-Project contractors.

762 OPINIONS AND DETERMINATIONS

763 18. (a) Where the terms of this Contract provide for actions to be based upon the  
764 opinion or determination of either party to this Contract, said terms shall not be construed as  
765 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or  
766 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly  
767 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious,  
768 or unreasonable opinion or determination. Each opinion or determination by either party shall be  
769 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is  
770 intended to or shall affect or alter the standard of judicial review applicable under Federal law to  
771 any opinion or determination implementing a specific provision of Federal law embodied in  
772 statute or regulation.

773 (b) The Contracting Officer shall have the right to make determinations  
774 necessary to administer this Contract that are consistent with the provisions of this Contract, the  
775 laws of the United States and of the State of California, and the rules and regulations  
776 promulgated by the Secretary of the Interior. Such determinations shall be made in consultation  
777 with the Agency to the extent reasonably practicable.

778

COORDINATION AND COOPERATION

779

19. (a) In order to further their mutual goals and objectives, the Contracting

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Officer and the Agency shall communicate, coordinate, and cooperate with each other, and with

781

other affected Project Contractors, in order to improve the operation and management of the

782

Project. The communication, coordination, and cooperation regarding operations and

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management shall include, but not be limited to, any action which will or may materially affect

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the quantity or quality of Project Water supply, the allocation of Project Water supply, and

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Project financial matters including, but not limited to, budget issues. The communication,

786

coordination, and cooperation provided for hereunder shall extend to all provisions of this

787

Contract. Each party shall retain exclusive decision making authority for all actions, opinions,

788

and determinations to be made by the respective party.

789

(b) Within 120 days following the effective date of this Contract, the Agency,

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other affected Project Contractors, and the Contracting Officer shall arrange to meet with

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interested Project Contractors to develop a mutually agreeable, written Project-wide process,

792

which may be amended as necessary separate and apart from this Contract. The goal of this

793

process shall be to provide, to the extent practicable, the means of mutual communication and

794

interaction regarding significant decisions concerning Project operation and management on a

795

real-time basis.

796

(c) In light of the factors referred to in subdivision (b) of Article 3 of this

797

Contract, it is the intent of the Secretary to improve water supply reliability. To carry out this

798

intent:

799

(1) The Contracting Officer will, at the request of the Agency, assist in

800

the development of integrated resource management plans for the Agency. Further, the

801

Contracting Officer will, as appropriate, seek authorizations for implementation of partnerships

802

to improve water supply, water quality, and reliability.

803                   (2)     The Secretary will, as appropriate, pursue program and project  
804 implementation and authorization in coordination with Project Contractors to improve the water  
805 supply, water quality, and reliability of the Project for all Project purposes.

806                   (3)     The Secretary will coordinate with Project Contractors and the  
807 State of California to seek improved water resource management.

808                   (3.1)   The Secretary and the Agency desire to work together to maximize  
809 the reasonable beneficial use of water for their mutual benefit. As a consequence, the Secretary  
810 and the Agency will work in partnership and with others in the region of the Redding  
811 Groundwater Basin, including other Contractors in the Shasta and Trinity Divisions of the  
812 Project, to facilitate the better integration with the region of the Redding Groundwater Basin of  
813 all water supplies including, but not limited to, the better management and integration of surface  
814 water and groundwater, transfers and exchanges of water, the development and better utilization  
815 of surface water storage, the effective utilization of waste, seepage and return flow water, and  
816 other operational and management options that may be identified in the future.

817                   (4)     The Secretary will coordinate actions of agencies within the  
818 Department of the Interior that may impact the availability of water for Project purposes.

819                   (5)     The Contracting Officer shall periodically, but not less than  
820 annually, hold division level meetings to discuss Project operations, division level water  
821 management activities, and other issues as appropriate.

822                   (d)     Without limiting the contractual obligations of the Contracting Officer  
823 under the other Articles of this Contract nothing in this Article shall be construed to limit or  
824 constrain the Contracting Officer's ability to communicate, coordinate, and cooperate with the  
825 Agency or other interested stakeholders or to make decisions in a timely fashion as needed to  
826 protect health, safety, or the physical integrity of structures or facilities.

827                                   CHARGES FOR DELINQUENT PAYMENTS

828                   20.   (a)     The Contractor shall be subject to interest, administrative and penalty  
829 charges on delinquent installments or payments. When a payment is not received by the due

830 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond  
831 the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an  
832 administrative charge to cover additional costs of billing and processing the delinquent payment.  
833 When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional  
834 penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the  
835 due date. Further, the Contractor shall pay any fees incurred for debt collection services  
836 associated with a delinquent payment.

837 (b) The interest charge rate shall be the greater of the rate prescribed quarterly  
838 in the Federal Register by the Department of the Treasury for application to overdue payments,  
839 or the interest rate of one-half of one (0.5%) percent per month prescribed by Section 6 of the  
840 Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be  
841 determined as of the due date and remain fixed for the duration of the delinquent period.

842 (c) When a partial payment on a delinquent account is received, the amount  
843 received shall be applied, first to the penalty, second to the administrative charges, third to the  
844 accrued interest, and finally to the overdue payment.

845 EQUAL OPPORTUNITY

846 21. During the performance of this Contract, the Contractor agrees as follows:

847 (a) The Contractor will not discriminate against any employee or applicant for  
848 employment because of race, color, religion, sex, or national origin. The Contractor will take  
849 affirmative action to ensure that applicants are employed, and that employees are treated during  
850 employment, without regard to their race, color, religion, sex, or national origin. Such action  
851 shall include, but not be limited to, the following: Employment, upgrading, demotion, or  
852 transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other  
853 forms of compensation; and selection for training, including apprenticeship. The Contractor  
854 agrees to post in conspicuous places, available to employees and applicants for employment,  
855 notices to be provided by the Contracting Officer setting forth the provisions of this  
856 nondiscrimination clause.

857 (b) The Contractor will, in all solicitations or advertisements for employees  
858 placed by or on behalf of the Contractor, state that all qualified applicants will receive  
859 consideration for employment without discrimination because of race, color, religion, sex, or  
860 national origin.

861 (c) The Contractor will send to each labor union or representative of workers  
862 with which it has a collective bargaining agreement or other contract or understanding, a notice,  
863 to be provided by the Contracting Officer, advising the said labor union or workers'  
864 representative of the Contractor's commitments under Section 202 of Executive Order 11246 of  
865 September 24, 1965, and shall post copies of the notice in conspicuous places available to  
866 employees and applicants for employment.

867 (d) The Contractor will comply with all provisions of Executive Order  
868 No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders  
869 of the Secretary of Labor.

870 (e) The Contractor will furnish all information and reports required by said  
871 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or  
872 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting  
873 Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with  
874 such rules, regulations, and orders.

875 (f) In the event of the Contractor's noncompliance with the nondiscrimination  
876 clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be  
877 canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared  
878 ineligible for further Government contracts in accordance with procedures authorized in said  
879 amended Executive Order, and such other sanctions may be imposed and remedies invoked as  
880 provided in said Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as  
881 otherwise provided by law.

882 (g) The Contractor will include the provisions of paragraphs (a) through (g) in  
883 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the  
884 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such  
885 provisions will be binding upon each subcontractor or vendor. The Contractor will take such  
886 action with respect to any subcontract or purchase order as may be directed by the Secretary of  
887 Labor as a means of enforcing such provisions, including sanctions for noncompliance:  
888 Provided, however, That in the event the Contractor becomes involved in, or is threatened with,  
889 litigation with a subcontractor or vendor as a result of such direction, the Contractor may request  
890 the United States to enter into such litigation to protect the interests of the United States.

891 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

892 22. (a) The obligation of the Agency to pay the United States as provided in this  
893 Contract is a general obligation of the Agency notwithstanding the manner in which the  
894 obligation may be distributed among the Contractor's water users and notwithstanding the default  
895 of individual water users in their obligations to the Contractor.

896 (b) The payment of charges becoming due hereunder is a condition precedent  
897 to receiving benefits under this Contract. The United States shall not make water available to the  
898 Contractor through Project facilities during any period in which the Contractor may be in arrears  
899 in the advance payment of water rates due the United States. The Contractor shall not furnish  
900 water made available pursuant to this Contract for lands or parties which are in arrears in the  
901 advance payment of water rates levied or established by the Contractor.

902 (c) With respect to subdivision (b) of this Article, the Contractor shall have no  
903 obligation to require advance payment for water rates which it levies.

904

COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

905           23.   (a)    The Contractor shall comply with Title VI of the Civil Rights Act of 1964  
906 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the  
907 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights  
908 laws, as well as with their respective implementing regulations and guidelines imposed by the  
909 U.S. Department of the Interior and/or Bureau of Reclamation.

910           (b)    These statutes require that no person in the United States shall, on the  
911 grounds of race, color, national origin, handicap, or age, be excluded from participation in, be  
912 denied the benefits of, or be otherwise subjected to discrimination under any program or activity  
913 receiving financial assistance from the Bureau of Reclamation. By executing this Contract, the  
914 Contractor agrees to immediately take any measures necessary to implement this obligation,  
915 including permitting officials of the United States to inspect premises, programs, and documents.

916           (c)    The Contractor makes this agreement in consideration of and for the  
917 purpose of obtaining any and all Federal grants, loans, contracts, property discounts, or other  
918 Federal financial assistance extended after the date hereof to the Contractor by the Bureau of  
919 Reclamation, including installment payments after such date on account of arrangements for  
920 Federal financial assistance which were approved before such date. The Contractor recognizes  
921 and agrees that such Federal assistance will be extended in reliance on the representations and  
922 agreements made in this Article, and that the United States reserves the right to seek judicial  
923 enforcement thereof.

924

PRIVACY ACT COMPLIANCE

925           24.   (a)    The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a)  
926 (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et  
927 seq.) in maintaining Landholder acreage certification and reporting records, required to be  
928 submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation  
929 Reform Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.18.

930           (b)    With respect to the application and administration of the criminal penalty  
931 provisions of the Act (5 U.S.C. 552a(i)), the Contractor and the Contractor's employees  
932 responsible for maintaining the certification and reporting records referenced in (a) above are  
933 considered to be employees of the Department of the Interior. See 5 U.S.C. 552a(m).

934           (c)    The Contracting Officer or a designated representative shall provide the  
935 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau  
936 of Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--  
937 Interior, Reclamation-31) which govern the maintenance, safeguarding, and disclosure of  
938 information contained in the Landholder's certification and reporting records.

939           (d)    The Contracting Officer shall designate a full-time employee of the  
940 Bureau of Reclamation to be the System Manager who shall be responsible for making decisions  
941 on denials pursuant to 43 CFR 2.61 and 2.64 amendment requests pursuant to 43 CFR 2.72. The  
942 Contractor is authorized to grant requests by individuals for access to their own records.

943 (e) The Contractor shall forward promptly to the System Manager each  
944 proposed denial of access under 43 CFR 2.64; and each request for amendment of records filed  
945 under 43 CFR 2.71; notify the requester accordingly of such referral; and provide the System  
946 Manager with information and records necessary to prepare an appropriate response to the  
947 requester. These requirements do not apply to individuals seeking access to their own  
948 certification and reporting forms filed with the Contractor pursuant to 43 CFR 426.18, unless the  
949 requester elects to cite the Privacy Act as a basis for the request.

950 AGENCY TO PAY CERTAIN MISCELLANEOUS COSTS

951 25. In addition to all other payments to be made by the Agency pursuant to this  
952 Contract, the Agency shall pay to the United States, within 60 days after receipt of a bill and  
953 detailed statement submitted by the Contracting Officer to the Agency for such specific items of  
954 direct cost incurred by the United States for work requested by the Agency associated with this  
955 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and  
956 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in  
957 writing in advance by the Agency. This Article shall not apply to costs for routine contract  
958 administration.

959 WATER CONSERVATION

960 26. (a) Prior to the delivery of water provided from or conveyed through  
961 Federally constructed or Federally financed facilities pursuant to this Contract, the Agency shall  
962 be implementing an effective water conservation and efficiency program based on the Agency's  
963 water conservation plan that has been determined by the Contracting Officer to meet the  
964 conservation and efficiency criteria for evaluating water conservation plans established under  
965 Federal law. The water conservation and efficiency program shall contain definite water  
966 conservation objectives, appropriate economically feasible water conservation measures, and  
967 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this  
968 Contract shall be contingent upon the Agency's continued implementation of such water  
969 conservation program. In the event the Agency's water conservation plan or any revised water  
970 conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have not  
971 yet been determined by the Contracting Officer to meet such criteria, due to circumstances which

972 the Contracting Officer determines are beyond the control of the Agency, water deliveries shall  
973 be made under this Contract so long as the Agency diligently works with the Contracting Officer  
974 to obtain such determination at the earliest practicable date, and thereafter the Agency  
975 immediately begins implementing its water conservation and efficiency program in accordance  
976 with the time schedules therein.

977 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of  
978 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Agency shall implement  
979 the Best Management Practices identified by the time frames issued by the California Urban  
980 Water Conservation Council for such M&I Water unless any such practice is determined by the  
981 Contracting Officer to be inappropriate for the Agency.

982 (c) The Agency shall submit to the Contracting Officer a report on the status  
983 of its implementation of the water conservation plan on the reporting dates specified in the then  
984 existing conservation and efficiency criteria established under Federal law.

985 (d) At five-year intervals, the Agency shall revise its water conservation plan  
986 to reflect the then-current conservation and efficiency criteria for evaluating water conservation  
987 plans established under Federal law and submit such revised water management plan to the  
988 Contracting Officer for review and evaluation. The Contracting Officer will then determine if  
989 the water conservation plan meets Reclamation's then-current conservation and efficiency  
990 criteria for evaluating water conservation plans established under Federal law.

991 (e) If the Agency is engaged in direct ground-water recharge, such activity  
992 shall be described in the Agency's water conservation plan.

993 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

994 27. Except as specifically provided in Article 17 of this Contract, the provisions of  
995 this Contract shall not be applicable to or affect non-Project water or water rights now owned or  
996 hereafter acquired by the Agency or any user of such water within the Agency's Service Area.  
997 Any such water shall not be considered Project Water under this Contract. In addition, this

998 Contract shall not be construed as limiting or curtailing any rights which the Agency or any  
999 water user within the Agency's Service Area acquires or has available under any other contract  
1000 pursuant to Federal Reclamation law.

1001 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

1002 28. Omitted.

1003 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1004 29. The expenditure or advance of any money or the performance of any obligation of  
1005 the United States under this Contract shall be contingent upon appropriation or allotment of  
1006 funds. Absence of appropriation or allotment of funds shall not relieve the Agency from any  
1007 obligations under this Contract. No liability shall accrue to the United States in case funds are  
1008 not appropriated or allotted.

1009 BOOKS, RECORDS, AND REPORTS

1010 30. (a) The Contractor shall establish and maintain accounts and other books and  
1011 records pertaining to administration of the terms and conditions of this Contract, including: the  
1012 Contractor's financial transactions, water supply data, and Project land and right-of-way  
1013 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use  
1014 data; and other matters that the Contracting Officer may require. Reports thereon shall be  
1015 furnished to the Contracting Officer in such form and on such date or dates as the Contracting  
1016 Officer may require. Subject to applicable Federal laws and regulations, each party to this  
1017 Contract shall have the right during office hours to examine and make copies of the other party's  
1018 books and records relating to matters covered by this Contract.

1019  
1020 (b) Notwithstanding the provisions of subdivision (a) of this Article, no  
1021 books, records, or other information shall be requested from the Agency by the Contracting  
1022 Officer unless such books, records, or information are reasonably related to the administration or  
1023 performance of this Contract. Any such request shall allow the Agency a reasonable period of  
1024 time within which to provide the requested books, records, or information.

1025 (c) Omitted.

1026 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1027 31. (a) The provisions of this Contract shall apply to and bind the successors and  
1028 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest  
1029 therein shall be valid until approved in writing by the Contracting Officer.

1030 (b) The assignment of any right or interest in this Contract by either party  
1031 shall not interfere with the rights or obligations of the other party to this Contract absent the  
1032 written concurrence of said other party.

1033 (c) The Contracting Officer shall not unreasonably condition or withhold his  
1034 approval of any proposed assignment.

1035 SEVERABILITY

1036 32. In the event that a person or entity who is neither (i) a party to a Project contract,  
1037 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii)  
1038 an association or other form of organization whose primary function is to represent parties to  
1039 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or  
1040 enforceability of a provision included in this Contract and said person, entity, association, or  
1041 organization obtains a final court decision holding that such provision is legally invalid or  
1042 unenforceable and the Agency has not intervened in that lawsuit in support of the plaintiff(s), the  
1043 parties to this Contract shall use their best efforts to (i) within 30 days of the date of such final  
1044 court decision identify by mutual agreement the provisions in this Contract which must be  
1045 revised, and (ii) within three months thereafter promptly agree on the appropriate revision(s).  
1046 The time periods specified above may be extended by mutual agreement of the parties. Pending  
1047 the completion of the actions designated above, to the extent it can do so without violating any  
1048 applicable provisions of law, the United States shall continue to make the quantities of Project  
1049 Water specified in this Contract available to the Agency pursuant to the provisions of this  
1050 Contract which were not found to be legally invalid or unenforceable in the final court decision.

1051 RESOLUTION OF DISPUTES

1052 33. Should any dispute arise concerning any provisions of this Contract, or the  
1053 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to  
1054 resolve the dispute. Prior to the Agency commencing any legal action, or the Contracting  
1055 Officer referring any matter to Department of Justice, the party shall provide to the other party

1056 30 days' written notice of the intent to take such action; Provided, That such notice shall not be  
1057 required where a delay in commencing an action would prejudice the interests of the party that  
1058 intends to file suit. During the 30-day notice period, the Agency and the Contracting Officer  
1059 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,  
1060 nothing herein is intended to waive or abridge any right or remedy that the Agency or the United  
1061 States may have.

1062 OFFICIALS NOT TO BENEFIT

1063 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the  
1064 Contractor shall benefit from this Contract other than as a water user or landowner in the same  
1065 manner as other water users or landowners.

1066 CHANGES IN CONTRACTOR'S SERVICE AREA

1067 35. (a) While this Contract is in effect, no change may be made in the  
1068 Contractor's Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger,  
1069 or otherwise, except upon the Contracting Officer's written consent.

1070 (b) Within 30 days of receipt of a request for such a change, the Contracting  
1071 Officer will notify the Agency of any additional information required by the Contracting Officer  
1072 for processing said request, and both parties will meet to establish a mutually agreeable schedule  
1073 for timely completion of the process. Such process will analyze whether the proposed change is  
1074 likely to: (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair  
1075 the ability of the Agency to pay for Project Water furnished under this Contract or to pay for any  
1076 Federally-constructed facilities for which the Agency is responsible; and (iii) have an impact on  
1077 any Project Water rights applications, permits, or licenses. In addition, the Contracting Officer  
1078 shall comply with the NEPA and the ESA. The Agency will be responsible for all costs incurred  
1079 by the Contracting Officer in this process, and such costs will be paid in accordance with Article  
1080 25 of this Contract.

1081 FEDERAL LAWS

1082 36. By entering into this Contract, the Agency does not waive its rights to contest the  
1083 validity or application in connection with the performance of the terms and conditions of this

1084 Contract of any Federal law or regulation; Provided, That the Agency agrees to comply with the  
1085 terms and conditions of this Contract unless and until relief from application of such Federal law  
1086 or regulation to the implementing provision of the Contract is granted by a court of competent  
1087 jurisdiction.

1088 NOTICES

1089 37. Any notice, demand, or request authorized or required by this Contract shall be  
1090 deemed to have been given, on behalf of the Agency, when mailed, postage prepaid, or delivered  
1091 to the Area Manager, Bureau of Reclamation, Northern California Area Office, 16349 Shasta  
1092 Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United States, when  
1093 mailed, postage prepaid, or delivered to the Shasta County Board of Supervisors, c/o of the  
1094 Shasta County Water Agency, 1855 Placer Street, Redding, California 96001. The designation  
1095 of the addressee or the address may be changed by notice given in the same manner as provided  
1096 in this Article for other notices.

1097 CONFIRMATION OF CONTRACT

1098 38. The Contractor, after the execution of this Contract, shall furnish to the Contracting  
1099 Officer evidence that pursuant to the laws of the State of California, the Contractor is a legally  
1100 constituted entity and the contract is lawful, valid, and binding on the Contractor. This Contract  
1101 shall not be binding on the United States until such evidence has been provided to the  
1102 Contracting Officer's satisfaction.

1103 RESALE OF WATER

1104 39. The Agency may enter into contracts with Subcontractors for the resale and  
1105 distribution of water furnished pursuant to this Contract within the Agency's Service Area. Each  
1106 such Subcontractor shall be subject to the obligations and limitations imposed, and to the rights  
1107 granted, by this Contract and shall so provide. The terms and conditions of each subcontract  
1108 shall be approved by the Contracting Officer prior to the execution of such subcontract, which  
1109 approval shall be limited to a determination that the subcontract is consistent with the provisions  
1110 of this Contract. Nothing herein or therein contained shall be deemed in any way to release the  
1111 Contractor from its primary liability to the United States hereunder with respect to each and all  
1112 of the obligations undertaken by the Contractor in this Contract.



EXHIBIT A

[Map or Description of Contractor's Service Area]

EXHIBIT B

2004 Water Rates and Charges  
Shasta County Water Agency – Sacramento River, Shasta & Trinity River Divisions

<u>M&amp;I COST OF SERVICE RATES:</u>	<u>Shasta Reservoir</u>	<u>Spring Creek Conduit</u>
Capital Rate:	\$ 8.62	\$ 9.27
O&M Rates:		
Water Marketing	5.01	5.01
Storage	6.38	6.38
Deficit Rate:	10.02	5.51
CFO/PRF Adjustment Rate 1/	<u>1.37</u>	<u>1.83</u>
TOTAL	<u>\$31.40</u>	<u>\$28.01</u>
<u>M&amp;I FULL COST RATE:</u>	<u>\$36.80</u>	<u>\$34.77</u>
<u>CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/</u>		
Restoration Payments (3407(d)(2)(A))	<u>\$15.64</u>	<u>\$15.64</u>

1/ Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) expense is being distributed over a 5-year period beginning in FY 2003 for those contractors that requested those costs be deferred.

2/ Restoration fund charges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund charges are on a fiscal year basis (10/1 - 9/30).